

**CITY OF MIDDLETOWN
MINUTES OF THE RETIREMENT BOARD
REGULAR QUARTERLY MEETING
AUGUST 7, 2013**

The regular quarterly meeting of the Retirement Board of the City of Middletown was held in room 208 of the Municipal Building on Wednesday, August 7, 2013 at 4:00 pm.

Commission Members Present: Rich Simone, Hope Kasper, Jim Reynolds, Joe Bibisi, Carl Erlacher

Also Present: Diana Doyle, Brig Smith, Gerry Goldberg and Mike Lepore of Wells Fargo, Robert Benthem de Grave and Joseph Langella, Jr. of Philadelphia International Advisors L.P., Ernie Cantwell

Commission Members Absent: Chris Bourne, Steve Gomes, Mayor Daniel Drew

- **Meeting was called to order at 4:00 pm**
 - Rich motions to move item 6 (Discussion of selection of Pension Attorney for study in Pension Resolution) to top of agenda and was seconded by Carl
 - Approved unanimously
- **Selection of Pension Attorney for study in Pension Resolution**
 - City Attorney, Brig Smith speaks about his experience bringing in outside counsel for pension systems and steps to be taken to ensure that everything is done legally - i.e. checking pension ordinances
 - Atty. Smith notes that for a previous issue, he had reached out to the CT Association of Municipal Attorneys and received responses from Robinson & Cole, Cohen & Wolf, Martha Culina, Pullman & Comley and Reid & Reige; a business conflict with Reid & Reige was identified but, Robinson & Cole was chosen for this specific issue
 - Atty. Smith recommends Pension Board to use Robinson & Cole
 - Hope asks for confirmation that Robinson & Cole has specific experience in this area
 - Atty. Smith confirms they do and that the firm is employed by 24 other municipal governments in CT; Gerry states that they have a "reputation" in this area
 - Carl states that there have been questions from some of the Unions & Exempt Directors regarding the City's Pension Fund not being referred to as a "Trust" in the Pension Ordinance and the Board wants the Ordinance to state that it is so and ensure that the "language" in the Ordinance is as "tight" as possible
 - Hope states that one unsigned legal opinion had been received stating that the Pension Fund is NOT a Trust; there has been an assumption that it IS a Trust
 - Carl states that the Pension Fund is referred to as a Trust in the Ordinance but that the language is not specific
 - Diana asks if it is the opinion and recommendation of the Board based on the recommendation of the City Atty. to hire Robinson & Cole
 - Carl states that normally a Professional Services Agreement would be utilized to bring the Attorneys to the Pension Board; signed by he, the Mayor and City Atty. Smith, to show he supports it
 - Diana states that this should be supported with an Appropriation Request with the estimated costs
 - Carl motions to hire Robinson & Cole with the recommendation of the City Atty. Brig Smith and was seconded by Jim
 - Approved unanimously, no discussion
- **Public Comments on the Agenda**
 - none
- **Minutes from May 8, 2013 Pension Board Meeting**
 - Hope motions to approve minutes and was seconded by Joe
 - Approved unanimously

- **Election of Pension Board Chairman and Secretary**

- Carl motions to re-nominate Rich Simone as Chairman and was seconded by Jim and Hope concurrently
- Approved unanimously
- Jim motions to nominate Carl as Secretary and was seconded by Hope
- Approved unanimously

- **Review of Investments (Handout)**

- Gerry introduces Philadelphia International Advisors (PIA) Joe Langella Jr. and Robert Benthem de Grave
- Joe Langella Jr. provides brief history of PIA, its ownership and total funds managed
- Robert Benthem de Grave discusses the company's focus on international investment; buying value; emphasizing low risk while investing in confidence and looking for change
- discusses value & duration of international investments; trends in safe investing for long-term gain in international investment
- Gerry & Robert discuss further the effects of European banks, the United States recession and the effects of bail-outs in Europe
- Carl states to Gerry that PIA performed well first two years but past three have been struggling; the Boards plan reflects a return of 10.4%; states the CS McKee was put on a "Watch List" last year because they were down 1.5% on their 3 year benchmark; asks Gerry if he is confident in PIA strategy or should they also be put on a "Watch List"
- Gerry reminds that CS McKee was put on a "Watch List" due to change in management and since their inception their numbers were below benchmark; PIA however is outperforming typical benchmark but can be put on "Watch List"; also states that he is confident with PIA strategy to add value
- Carl recalls statement from Robert indicating that a Greece/Portugal default on their bailout would have no effect on Euro value, does Gerry agree?
- Gerry interprets Robert's comment as the European banks having less exposure to bailouts and have been repositioning their portfolios; and, that the tradition, focus and orientation of PIA is more conservative
- Carl asks Gerry if he is comfortable with Philadelphia; Gerry responds, "yes"
- Gerry changes topic and requests that a decision be made by the Pension Board for a partial re-balance of the portfolio; as a result in growth in Equities and contraction in Fixed Income beyond 5% variance (discussed further later in minutes)
- Gerry refers to growth of Fund assets in Wells Fargo handout: \$334 million at end of qtr with an increase to \$346.5 million (August 6); notes that the allocation of assets is: 62% in Equities, 37% in Fixed Income; reminds that the target allocation is 55%/45%
- Gerry gives example (Allocation of Assets handout) of full rebalance of \$26 million but feels a full rebalance is not necessary and recommends halfway of \$13 million; decrease Equity and increase Fixed Income
- Question from Board Member how long liabilities are covered; Gerry responds below 10-11 years is what Board feels historically comfortable with
- Carl states that \$3.4 million is taken out quarterly
- Hope asks how many years it will cover
- Carl responds 10; Gerry responds 9-10 at most
- Gerry states in the coming weeks that an updated Asset Allocation study will be done between Ryan Labs & Hooker & Holcomb to determine the outstanding liability; how many years of liability will be covered with Fixed Income
- Hope makes motion to rebalance 50% (\$13 million) as suggested by Gerry and is seconded by Joe
- Approved unanimously
- Mike continues with Review of Investments and discusses page 19 in Wells Fargo handout; reviews OPEB report and notes that the Middletown 7.94% average return since June 2011 inception and 11.28% for past year

- Gerry concludes reviews with Net of Fee handouts for quarters ending December 2012, March 2013 & June 2013

- **Treasurer's Report**

- Carl explains that cash on hand is down to \$611,187, as of June 2013 because the combined Pension Appropriation, approximately \$2.3 million, for Police & Fire is deposited in July 2013 & January 2014

- **Pension Quarterly Investment Report**

- Carl states that Investment Report and the information below is for information purposes

• <u>Applications for Membership</u>	<u>Employment Date</u>	<u>Union</u>	<u>Department</u>	
Jacqueline Carraway	4/15/13	466	BOE	
Jesse Hunter, Jr.	3/26/13	466	BOE	
• <u>Requests to Retire</u>	<u>Retirement Date</u>	<u>Department</u>	<u>Union</u>	<u>Years Emp./Age</u>
Gerard Cyr	6/7/13	Parks & Rec	466	20 yrs/66 yrs old
Lisa Melavin	6/28/13	BOE	Teamsters	22 yrs/52 yrs old
• <u>Disability Retire</u>	<u>Retirement Date</u>	<u>Department</u>	<u>Years Emp./Age</u>	
Margaret Liseo	5/8/13	Police	17 yrs/44 yrs old	
• <u>Pension Refund</u>	<u>Date</u>	<u>Department</u>		
William Crawford	5/22/13	Russell Library		
Adam Martinelli	6/27/13	Police		

- **Next Pension Board Meeting on November 6, 2013**

- **Adjournment**

- Carl motions to adjourn and was seconded by Joe
- Approved unanimously

Respectfully submitted:

Carl R. Erlacher, Finance Director
Tracks MZ 63-78